



CHIEF EQUITY OFFICER 2024 ACTIVITY REPORT

Division of Cannabis Regulation

Article XIV, Section 2 of the Missouri Constitution requires the Missouri Department of Health and Senior Services (DHSS) to appoint a chief equity officer (CEO). Within the Department of Health and Senior Services' Division of Cannabis Regulation (DCR), the CEO is charged with the development and implementation of programs to inform the public of the opportunities available to those who meet the criteria for a microbusiness license.

The CEO is required to provide an annual activity report to the department no later than Jan. 1, 2025, detailing the CEO's and DCR's activities in guaranteeing compliance with the applicant criteria set forth in Article XIV, Section 2.4(12). It further requires the department to provide the report to the legislature. The CEO is an integral part of ensuring the social and economic equity requirements passed by Missouri voters in Article XIV, Section 2 are fully realized.

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Background

The microbusiness program was established pursuant to Article XIV, Section 2. A microbusiness license will operate on a smaller scale than medical or comprehensive licenses. This license is designed to provide a path to facility ownership for individuals who might not otherwise easily access that opportunity. A microbusiness dispensary facility is licensed to engage in the process of dispensing cannabis product for medical or adult use, while a microbusiness wholesale facility is licensed to engage in the process of cultivating and/or manufacturing cannabis product for medical or adult use. Forty-eight microbusiness licenses are to be awarded in three separate rounds for a total of 144 licenses. Six licenses are awarded per congressional district: two microbusiness dispensaries and four microbusiness wholesale facilities. The Missouri Constitution requires that microbusiness licenses be awarded to entities that are majority-owned and operated by individuals who meet at least one of the eligibility criteria set forth in Article XIV, Section 2.

Constitutional Deadlines

The second round of microbusiness licensing was held in 2024. The application period for the second round of microbusiness licenses began April 15, 2024, and closed April 29, 2024. DCR issued 57 licenses during the second round, which included an additional nine licenses to specific congressional districts to replace those revoked in the first round. Within 60 days of the issuance of the licenses, the CEO is required to conduct a review of and certify that microbusiness licenses were awarded to eligible applicants. The CEO is required to publish the review containing aggregate data pertaining to the license eligibility criteria for the public. The review for Round 2 was completed Sept. 20, 2024, and published Oct. 10, 2024, on [Cannabis.Mo.Gov](https://cannabis.mo.gov), meeting the constitutional requirement.

**Table 1. Constitutional Deadline Requirements
for the Microbusiness Program**

Constitutional Requirement	Deadline	Date Completed	# of Days Early
Begin application process for Round 2	No Date	April 15, 2024	No deadline
CEO eligibility review completed	Sept. 22, 2024	Sept. 20, 2024	2 days
CEO eligibility review results published	No Date	Oct. 10, 2024	No deadline
Report of CEO and DCR activities	Jan. 1, 2025	Dec. 23, 2024	7 days

Outreach

Article XIV, Section 2 requires the CEO to establish public education programming and targeted technical assistance programming dedicated to communities that have been impacted by marijuana prohibition. The CEO must provide these communities with information detailing the licensing process and inform individuals of the resources the office can provide to individuals and entities interested in participating in activity licensed under Article XIV. DCR included information in various internal platforms such as *The Cannabis Connection* newsletter, DCR podcast, as well as an email subscription for individuals that are interested in microbusiness information.

Prior to the application period for Round 2, the CEO conducted in-person outreach forums across the state and participated in additional events hosted by external stakeholders. All events were designed to provide potential applicants information on the application process, application requirements and eligibility criteria. DCR hosted both in-person and webinars between January and April 2024 to assist

applicants with completing submissions through the online registry portal. A total of 98 individuals participated in the microbusiness outreach events.

Table 2. Outreach Event Summary (2024)

Event Type	Pre-License Issuance	Post-License Issuance
DCR	6	0
External	4	2
DCR Webinar	1	0

The CEO also responded to media inquiries and participated in interviews to publicize and provide microbusiness program information. Media opportunities were taken with news outlets across the state, including television, newspaper, radio and magazine.

On April 4, 2024, DCR issued a [press release](#) announcing that the second round of microbusiness applications would be accepted April 15-29, 2024. The communication also provided guidance and cautionary information about predatory practices that have been discovered surrounding this type of licensing in Missouri and other states. DCR encouraged eligible individuals to be aware of solicitation efforts by companies to apply for a microbusiness license on behalf of qualified individuals with promises of future ownership in the license. In addition, DCR provided examples of predatory arrangements including:

- Applicants are promised a 51% ownership stake of the license and a fair market value buyout for that 51%.
- Applicants are promised a payment when the license is initially issued, then receive a salary for 3-5 years that is equal to the remaining 51% of the license value or some other payment arrangement.
- Solicitor does not ask for any payment and offers to pay for upfront application and business costs.
- Solicitor informs the potential applicant that if they want to actually own and operate an awarded license, they should apply on their own.
- Solicitor promises they will provide their own money, resources, and time to run the day-to-day business operations so that the applicant owner does not need to invest their own money, resources or time.

In the release, DCR explained Article XIV explicitly states that microbusiness licenses must be owned and operated by eligible individuals and that an individual owner with little to no knowledge, control, agency or decision-making authority in an application or license does not meet the intent or meaning of the requirement in Article XIV.

Resources Provided

DCR continues to maintain the microbusiness section within the [Cannabis.Mo.Gov](#) website which details the microbusiness licensing process and provide resources to potential applicants and the public. The website includes frequently asked questions, tools to assist individuals in determining eligibility for a microbusiness license, guidance for submission of a successful application and video tutorials educating viewers on correct methods for completing the application.

Eligibility tools included on website:

- Net Worth Calculation Worksheet.
- Federal poverty level guidelines from the U.S. Department of Health and Human Services.
- Department of Veterans Affairs guidance for VA benefits.
- U.S. Census Bureau American Community Survey Data.
- Missouri Census Data Center.
- DCR Census Tract Locator Tool.
- List of qualifying Missouri ZIP codes and census tracts for federal poverty level and unemployment rates.
- List of qualifying Missouri ZIP codes for historic rate of incarceration.
- List of qualifying Missouri school districts by year.

Application resources included on website:

- DCR Location Tool to determine the congressional district of proposed facility location.
- Printable Microbusiness Application Checklist.
- Printable Microbusiness Application User Guide.
- Blueprint examples for each type of license.
- Ownership structure example and definitions.
- FAQs including general information eligibility, application process, lottery, fees and refunds.
- Guided video tutorials demonstrating how to utilize the application tools, complete and submit an application, make corrections to a returned application and how to request an application refund.

Applicant Survey

Microbusiness Outreach developed a microbusiness applicant survey to assess the level of satisfaction with the application process, as well as the information and support provided to the applicants.

**The survey was sent to
applicants on May 3, 2024, with
181 responses received.**

Table 3. Summary of Microbusiness Applicant Survey

37% of respondents heard about the microbusiness program from following adult use cannabis legislation.
19% of respondents attended a DCR public outreach event.
75% of respondents found the information presented at an outreach event to be helpful.
97% of respondents surveyed visited the DCR website for microbusiness information prior to submitting their application.

Processes

Application Acceptance

Pursuant to 19 CSR 100-1.060, DCR published on its website time periods during which it will accept applications and, when applicable, the number of licenses to be selected by lottery. DCR began accepting the second round of applications April 15, 2024, using the online registry portal. The second application period closed April 29, 2024, at which time DCR verified applicants had remitted the required application fee of \$1,500. In addition, DCR's call center and general email inbox were open for questions and assistance throughout the application period.

Lottery

Per Article XIV, Section 2.4(1)(i), the department was required to establish a lottery selection process to select comprehensive facility licenses, certificate holders and marijuana microbusiness licensees, but not medical facility licensees converting to comprehensive licenses.

Missouri Lottery conducted the drawing for microbusiness licensees using the certified software *Missouri Lottery Promotional Draw System (PDS) RNG* to produce random results. To ensure the integrity of the random drawing, Missouri Lottery conducted the drawing without reference to the identities of the applicants.

Pursuant to 19 CSR 100-1.060(6)(A)3, applications were assigned unique identifiers for the lottery drawing based on the Missouri Congressional District maps drawn and effective Dec. 6, 2018. The congressional district chosen in the application was verified by the Missouri Office of Geospatial Information using the proposed facility address provided. If an applicant's proposed facility address was not located within the applicant's claimed congressional district, DCR used the congressional district where the applicant's proposed address was located.

All applicants entered in the drawing were listed in order and drawn from within their congressional district and license type categories. The lottery draw for Round 2 microbusiness licensees was held June 4, 2024. Random drawing results were posted to [Cannabis.Mo.Gov](https://cannabis.mo.gov) as soon as they were available.

Application Review

Prior to awarding licenses, DCR reviewed the applications in the order in which they were drawn. Pursuant to 19 CSR 100-1.190, DCR reviewed documents that were submitted with each top-drawn microbusiness application to verify that applicants met the application requirements and eligibility qualifications they claimed. The microbusiness application required applicants to list individuals with an ownership interest and the percent of ownership financial and/or voting interest for each listed owner. DCR compiled the names from all applications to ensure no individual was listed on more than one microbusiness application. As a result, two applications were denied because the applications included duplicate owner information. The ownership list was also to verify that no individual with an ownership interest in a microbusiness license is an owner of an existing medical, comprehensive or another microbusiness facility license.

DCR specifically looked for the required eligibility documentation listed in 19 CSR 100-1.060(4). If documentation was insufficient to demonstrate eligibility for microbusiness licensure, DCR returned applications one time to allow applicants to supplement their applications with additional documentation. Once applications were resubmitted, DCR reviewed all documentation provided with the application to determine whether it was sufficient to demonstrate applicants met eligibility criteria.

If a top-drawn applicant did not meet application requirements, the application was denied and the next application from the drawing list was reviewed. Six applications were denied for failure to meet application and/or eligibility requirements and denial notices containing the reasons for the denials were issued to the applicants. Pursuant to 19 CSR 100-1.020(4), any denied applicant had the opportunity to

seek review of the denial by filing a petition with the Missouri Administrative Hearing Commission within 30 days of the date the notice of denial was sent.

DCR issued the minimum number of microbusiness licenses required per Article XIV, Section 2.4(13): two dispensary licenses and four wholesale licenses per congressional district. In addition, DCR issued an additional nine licenses to replace the licenses that were revoked during the first round of microbusiness licensing. The additional licenses included one wholesale license in Congressional District 5 and eight dispensary licenses in Congressional Districts 1, 2, 4, 5, 6 and 7 to raise the total number of issued licenses from 48 to 57. Once licenses were issued, the designated contact had 24 hours to return an acknowledgement of acceptance for the license. **All 57 issued licenses were accepted.**

Disqualifying Felony Offense

19 CSR 100-1.060(3)(K) requires that individuals subject to analysis for a disqualifying felony offense submit fingerprints within two weeks after the application submission date for a state and federal fingerprint-based criminal background check. Missouri law (195.817 RSMo) authorizes DCR to review state and federal criminal background records for individuals subject to the analysis of a disqualifying felony offense. The law went in effect Aug. 28, 2023, after the first application period for microbusiness licenses ended. DCR received approval from the Federal Bureau of Investigation (FBI) in October 2024 to begin the process of required fingerprint submittal and review of state and federal criminal background records.

Minimum Standards and Eligibility (MSE) Verification

After licensure, all microbusiness licensees proceed through a verification process to ensure compliance with minimum standards for licensure, and that all licenses are majority-owned and operated by eligible individuals. After the issuance of a microbusiness license, DCR reviewed all documents and information provided to determine if additional supporting documentation was required of the licensee to confirm compliance with 19 CSR 100-1 and Article XIV. DCR contacted each licensee's designated contact for additional supporting documentation or information necessary for verification. A specialist from the Bureau of Business Licensing Services (BLS) was assigned to each microbusiness license for direct communication which afforded the licensee an avenue for time-sensitive questions and ensured timely responses to information requests. Additionally, BLS specialists contacted assigned licensees by telephone throughout the verification process to confirm licensees had a clear understanding of any requests, rules, expectations and deadlines.

License transfers and changes to ownership will be completed through a business change application and may only be submitted after DCR issues an official letter verifying the licensee passed the MSE review. Changes to ownership amounting to 50% or more, which include a full asset transfer, may only be submitted after the licensee's facility has received approval to operate pursuant to 19 CSR 100-1.100(2)(C). Microbusiness licenses must continue to be majority-owned and operated by individuals who meet at least one of the eligibility qualifications outlined by 19 CSR 100-1.190(1)(B). Microbusiness licensees submitting a business change application involving a change to ownership must also include eligibility documentation for any new individual whose voting or financial interest will contribute to majority ownership. Unauthorized changes to ownership may result in penalties, including fines, suspension or revocation.

CEO Eligibility Review

Per Article XIV Section 2.4(13), within 60 days of the issuance of microbusiness licenses, the CEO shall conduct a review of and certify that microbusiness licenses were awarded to eligible applicants. The review includes verification of the following requirements for each licensee pursuant to Article XIV, Section 2.4(12):

- An entity may apply to the department for and obtain only one license to operate a marijuana microbusiness facility.
- An entity may not be an owner of more than one marijuana microbusiness facility license.
- An owner of a marijuana microbusiness facility may not also be an owner of another licensed marijuana facility or medical facility regulated under Article XIV.
- Microbusiness licenses shall be majority owned by individuals who each meet at least one of the eligibility criteria.

The CEO reviewed eligibility for the 57 issued microbusiness licenses. Majority owners are required to submit documents demonstrating eligibility for microbusiness facility ownership as outlined in 19 CSR 100-1.060(4)B. The review by the CEO included eligibility criteria documentation submitted during the application, as well as documentation requested during the post-licensure MSE verification. The documents were reviewed to ensure they met the requirements outlined in 19 CSR 100-1.060(4)B and were sufficient to demonstrate eligibility for the criteria chosen. For individuals that chose more than one eligibility criteria, all criteria chosen were reviewed.

The review was completed Sept. 20, 2024, and the *CEO Microbusiness Eligibility Review Report* is available at [Cannabis.Mo.Gov](https://cannabis.mo.gov). The report includes which eligibility criteria were claimed among the microbusiness licensees in the application process, as well as the number of applicants whose eligibility was certified and those whose eligibility was not certified.

CEO Eligibility Review summary:

The CEO certified eligibility for 18 microbusiness wholesale licenses and seven microbusiness dispensary licenses. The CEO identified indications of ineligibility for 15 microbusiness wholesale licenses and 17 microbusiness dispensary licenses.

Issues resulting in ineligibility included failure to provide adequate documentation to verify the majority owner met the eligibility criteria chosen at application, a disqualifying felony offense and failure to provide documentation that the facility would be operated by eligible individuals as required pursuant to Section 2.4(12) of Article XIV.

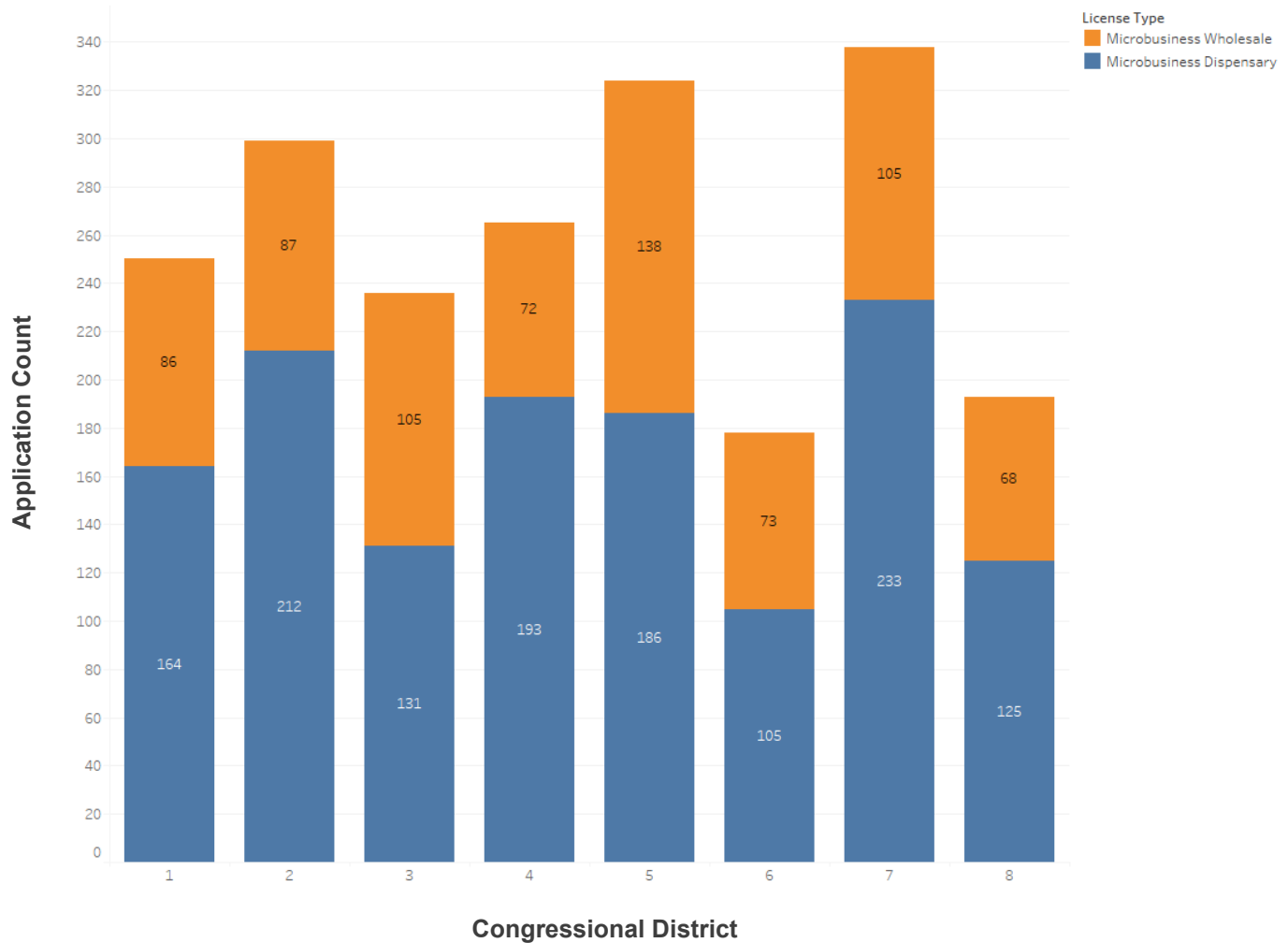
The 32 licenses that were not certified as eligible are subject to revocation. Notices of pending revocation were sent to these licensees and provided a 30-day response period, in accordance with Article XIV and 19 CSR 100-1, during which licensees may submit records or information demonstrating why the license should not be revoked. Revoked licenses may be added to the number of available licenses awarded in the next application timeframe.

Applicant Data

The aggregate data provided in this section is relevant to all applications received during the April 15-29, 2024, application period. For additional data specific to microbusiness licensees, please review the CEO Eligibility Review Report available at [Cannabis.Mo.Gov](https://cannabis.mo.gov).

Applications were accepted for the two types of microbusiness licenses, dispensary and wholesale. A microbusiness dispensary facility is licensed to engage in the process of dispensing marijuana product for medical or adult use. A microbusiness wholesale facility is licensed to engage in the process of cultivating and/or manufacturing marijuana product for medical or adult use. DCR received a total of 2,083 applications, with 1,349 applications for dispensary licenses and 734 applications for wholesale licenses.

Figure 1. Applications by Congressional District and License Type



Microbusiness licenses are required to be majority-owned and operated by individuals who each meet at least one of the eligibility criteria outlined in Article XIV, Section 2.4(12). Applicants were allowed to claim more than one eligibility criteria at application; however, it was not required. Table 4 lists eligibility criteria pursuant to Article XIV available to applicants during Round 2. Figure 2 shows the eligibility criteria claimed by majority owners for all applications. Figure 3 shows the eligibility criteria claimed by majority owners in each congressional district for all applications.

Table 4. Eligibility Criteria for Majority Owners

Q1	Applicants claiming a net worth of less than two hundred fifty thousand dollars (\$250,000) and low income.
Q2	Applicants claiming a valid service-connected disability.
Q3	Applicants claiming an arrest, prosecution, or conviction for a non-violent marijuana offense.
Q4	Applicants claiming a parent, guardian or spouse with an arrest, prosecution or conviction for a non-violent marijuana offense.
Q5	Applicants claiming residency in a ZIP code or census tract area where thirty percent (30% or more of the population lives below the federal poverty level.
Q6	Applicants claiming residency in a ZIP code or census tract area with an unemployment rate of 50% or higher than the state average.
Q7	Applicants claiming residency in a ZIP code or census tract area where the historic rate of incarceration for marijuana-related offenses is fifty percent (50%) higher than the rate for the entire state.
Q8	Applicants claiming graduation from a school district that was unaccredited, or had a similar successor designation, at the time of graduation
Q9	Applicants claiming residency in a ZIP code containing an unaccredited school district, or similar successor designation for three (3) of the past five (5) years.

Figure 2. Eligibility Criteria Claimed by Majority Owners in All Applications

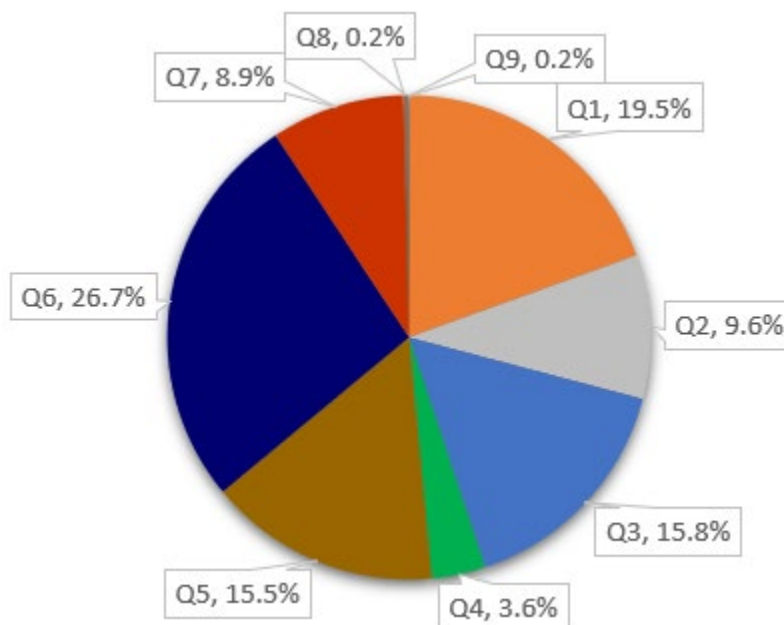


Figure 3. Eligibility Criteria Claimed by Majority Owners in Each Congressional District for All Applications

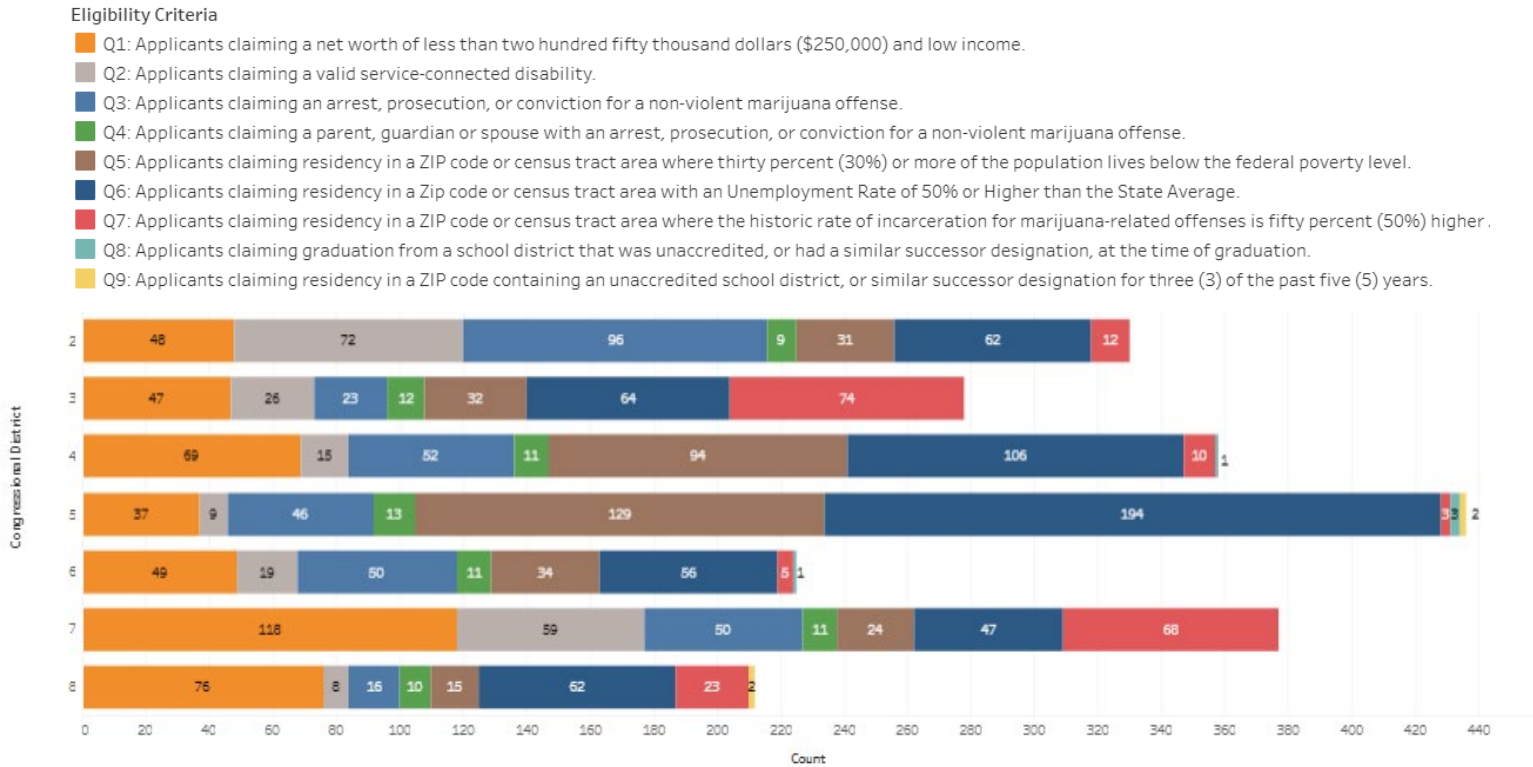
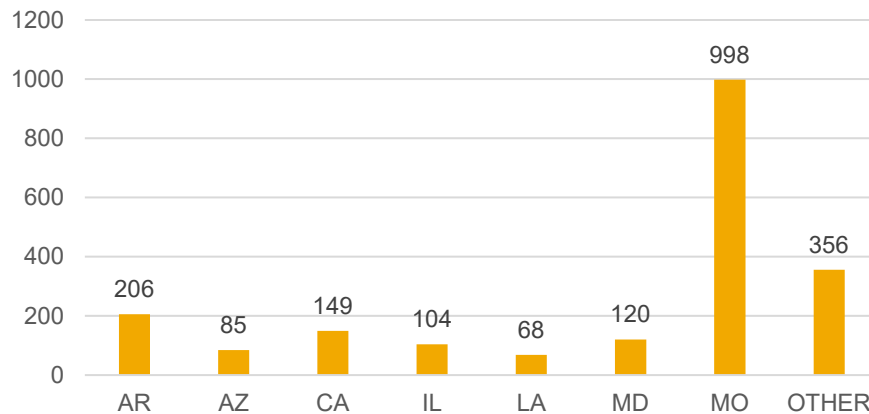


Figure 4 shows the number of applications by state for individuals identified as owners within applications. The “other” column includes states with 37 or fewer applications submitted during the second-round application period. Per Article XIV, Section 2.2(21), owner is defined as an individual who has a financial (other than a security interest, lien, or encumbrance) or voting interest in 10% or greater of a marijuana facility. By law, applicants were permitted to have owners from different states within one application.

Figure 4. Individual Owner Applicants by State

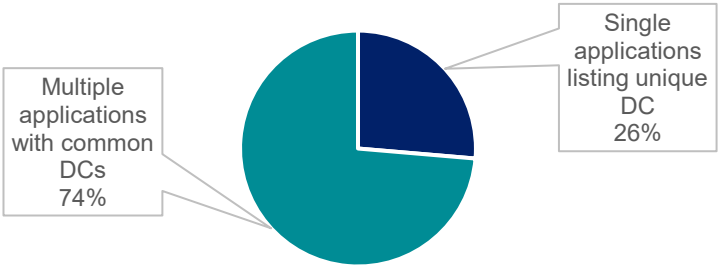


Applicants were required to provide a designated contact (DC) within their application to serve as the authorized point of contact for all department communications regarding the application and license. The DC is not required to be an individual in the ownership structure. Licensees may use an attorney, consultant or other responsible individual as a designated contact.

DCs for all applications include:

- A total of 617 DCs submitted 2,083 applications during Round 2
 - Of that total number of DCs, 549 unique individuals are listed on only one application (26% of applications)
 - Of that total number of DCs, 68 common individuals are listed on multiple applications (74% of applications)
 - One DC submitted 329 applications (16% of applications)
 - One DC submitted 94 applications (5% of applications)
 - One DC submitted 75 applications (4% of applications)

Figure 5. Designated Contacts on Round 2 Microbusiness Applications



At time of application, applicants were only required to provide a proposed facility location, establishing a lower barrier of entry for applicants than requiring them to possess and control a facility location. As locations were only proposed locations, using the same proposed address among different applicants was not against the rules. Pursuant to 19 CSR 100-1.030(3), licensees will be required to demonstrate that the proposed location meets the requirements of the rule, including sharing space with other licensees. Changes to location or requests to share space can be accomplished through a business change request.

Of the 2,083 applications submitted, there were 397 facility locations listed. Of those, 238 locations only appeared on one application, and 159 locations appeared on more than one application (duplicates). Duplicate facility locations were submitted on 1,845 applications, or 89% of all applications submitted. Two separate locations appeared on 86 submitted applications each, and three additional locations appeared on more than 50 applications. No specific address was listed on 13 of the applications.

Table 5. Synopsis of Proposed Facility Locations

Number of applications	Proposed facility locations
397	Facility locations listed across all applications
159	Facility locations that appeared on multiple applications (duplicates)
238	Facility location only appeared on one application

Fees and Refunds

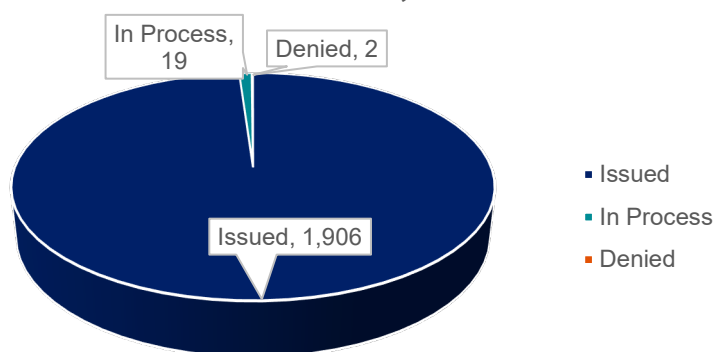
Pursuant to 19 CSR 100-1.060(6)(A)1, all timely applications submitted with an application fee during an application period will be entered into the lottery. Untimely applications or applications without a fee were denied.

Applicants whose initial payments could not be completed were notified and given a deadline to remit payment a second time. All applicants remitted an application fee after notification of incomplete payment.

Pursuant to Article XIV, Section 2.4(12) and 19 CSR 100-1.060(2)(C)2, qualifying applicants not chosen by lottery are eligible for a refund if the applicant certifies he/she met the criteria to apply for a license and has no pending or future litigation. Applicants that were denied for failing to meet application requirements are not eligible for a refund. Applicants appealing the denial of an application are not eligible for a refund until the appeal has been resolved or dismissed.

Refunds must be requested by submitting the Microbusiness Application Refund Request form that is available on [Cannabis.Mo.Gov](https://cannabis.mo.gov). A tutorial video is also provided on the website to assist applicants in providing their request to DCR. Round 1 refunds have concluded with a total of 1,494 requests received and completed and no denials issued. DCR began accepting refund requests for Round 2 applicants on Aug. 24, 2024. Per 19 CSR 100-1.060(2)(C)2, applicants have until Jan. 24, 2025, to request a refund. Figure 6 shows the number of Round 2 refunds that have been completed, those currently in process, and the number of denied refund requests.

Figure 6. Round 2 Refund Requests as of Dec. 13, 2024



Future Microbusiness Rounds

Licenses issued July 24, 2024, were the second round of microbusiness licenses to be awarded, per Article XIV, Section 2. The department is required to issue a minimum of 144 licenses; 48 dispensary and 96 wholesale licenses evenly dispersed among Missouri's eight congressional districts.

DCR will host a variety of education and outreach events leading up to each application period. All current information regarding outreach events, application resources and microbusiness licensing may be found at [Cannabis.Mo.Gov](https://cannabis.mo.gov).

The application period for the third round is currently in the planning stage.

Respectfully Submitted,

Lesley Turek
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Missouri Department of Health and Senior Services